



The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

L. JOYCE HAMPERS
COMMISSIONER

November 26, 1980

You request a ruling on the Massachusetts corporate excise and income tax consequences of the reorganizations proposed herein.

The six mutual funds involved in the reorganizations, ("Acquiring"), ("Fund A"), ("Fund B"), ("Fund C"), ("Fund D"), and ("Fund E") are all diversified open-end management investment companies, registered under the Investment Company Act of 1940 and qualified as regulated investment companies under Internal Revenue Code Section 851. Acquiring and Fund A are Massachusetts business trusts, Funds B and C are Massachusetts business corporations, and Funds D and E are Maryland corporations.

Each Fund has one class of voting shares. Acquiring is composed of five separate funds, Series 1, 2, 3, 4 and 5, which are differentiated in terms of their approach to investment.

Prior to January 1, 1980, Acquiring and each Fund adopted and executed a plan of reorganization ("Plan"). Under the Plan, each Fund will transfer substantially all of its assets to Acquiring, free and clear of all liens, encumbrances, and claims other than those incurred in the ordinary course of business, in exchange solely for shares of a particular series of Acquiring. Funds A and D will receive shares from Series 3; Funds B and C, Series 2; and Fund E, Series 1. The number of such voting shares will be determined by dividing the aggregate value of the Fund's net assets

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to be transferred, including adjustments for cash retained by each Fund to meet any liabilities connected with payments to shareholders and dissolution of the Fund, by the net assets value per share of the applicable series of Acquiring.

Pursuant to the plans of reorganization, the shares of the applicable series of Acquiring received by each Fund on the closing date will be promptly distributed to the shareholders of the Fund in exchange for, and in complete cancellation and retirement of, all of its issued and outstanding shares.

Each Fund, prior to the appropriate closing date, will have declared such distributions as may be necessary for it to maintain its status as a regulated investment company under Code Section 851.

The Internal Revenue Service has issued the following rulings in connection with the transactions described above:

(1) The transfer by each Fund of substantially all of its assets to [Acquiring] in exchange for voting shares of the applicable series of [Acquiring] and the assumption by [Acquiring] of certain liabilities associated with the assets transferred, as described above, will each constitute a reorganization within the meaning of section 368(a)(1)(C) of the Internal Revenue Code of 1954. For purposes of this ruling, "substantially all" means at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets of each Fund held immediately prior to the proposed transaction. [Acquiring] and each Fund will each be a "party to a reorganization" within the meaning of section 368(b) of the Code.

(2) No gain or loss will be recognized to a Fund upon the transfer of its assets to [Acquiring], solely in exchange for voting shares of the applicable series of [Acquiring] and the assumption by [Acquiring] of certain liabilities of such Fund, as described above (sections 361(a) and 357(a)).

(3) No gain or loss will be recognized to [Acquiring] upon the receipt of the assets of each Fund in exchange for voting shares of the applicable series of [Acquiring], as described above (section 1032(a)).

(4) The basis of the assets of each Fund in the hands of [Acquiring] will be the same as the basis of those assets in the hands of Fund immediately prior to the transaction (section 362(b)).

(5) The holding period of the assets of each Fund received by [Acquiring] will include the holding period of such assets in the hands of such Fund immediately prior to the exchange (section 1223(2)).

(6) No gain or loss will be recognized to the shareholders of each of the Funds upon the receipt of voting shares of the applicable series of [Acquiring] (including any fractional share interests to which they may be entitled and including any additional shares that may be received but excluding any shares that may be received as interest) solely in exchange for their shares of such Fund (section 354(a)(1)).

(7) The basis of the shares of the applicable series of [Acquiring] (including any fractional share interests to which they may be entitled and including any additional shares that may be received but excluding any shares that may be received as interest) received by the shareholders of the Funds will, in each instance, be the same as the basis of the shares of such Fund surrendered in exchange therefor (section 358(a)(1)).

(8) The holding period of the shares of [Acquiring] stock (including fractional share interests to which they may be entitled and including any additional shares that may be received but excluding any shares that may be received as interest) received by the shareholders of each of the Funds will include the period during which the stock of such Fund surrendered in exchange therefor was held, provided that the shares of such Fund were held as a capital asset on the date of the exchange (section 1223(1)).

(9) [Acquiring] will succeed to and take into account, as of the date of the proposed transfer (as defined in section 1.381(b)-1(b) of the Income Tax Regulations) the items of each Fund described in section 381(c) of the Code, subject to the conditions and limitations specified in sections 381(b) and (c), 382, and 383.

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Based on the foregoing, it is ruled that:

(1) The proposed plans will be treated as reorganizations for purposes of Massachusetts General Laws Chapters 62 and 63, to the extent that they are reorganizations under Section 368 of the Code.

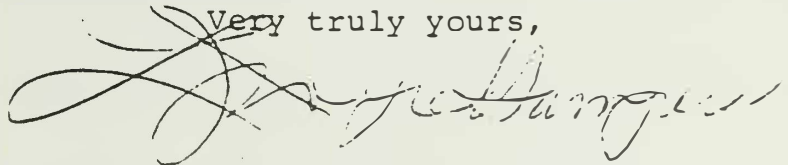
(2) Acquiring and Fund A will recognize no gain or loss for Massachusetts income tax purposes under Massachusetts General Laws Chapter 62 provided that no gain or loss is recognized for federal income tax purposes.

(3) Funds B, C, D and E will recognize no gain or loss for Massachusetts corporate excise purposes under Massachusetts General Laws Chapter 63 provided that no gain or loss is recognized for federal income tax purposes.

(4) For Massachusetts income tax purposes under General Laws Chapter 62, the basis of the assets received by Acquiring from each Fund will be the same as the basis of such assets in the hands of that Fund; and the holding period of such assets will include the period during which such assets were held by that Fund.

(5) The shareholders of each Fund will recognize no gain or loss for Massachusetts income tax purposes under Chapter 62 provided that no gain or loss is recognized for federal income tax purposes pursuant to Section 354(a) of the Code. For purposes of Massachusetts income taxation under Chapter 62, the basis of the applicable series of Acquiring shares received by the shareholders of each Fund will be the same as their basis in Fund shares surrendered therefor; and their holding period of such shares will include their holding period of Fund shares.

Very truly yours,

A handwritten signature in dark ink, appearing to read "James H. Hanigan", written over a horizontal line.

Commissioner of Revenue

LJH:DMH:mf

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